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DAVID S. ROSENZWEIG  
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December 20, 2005

Mary L. Cottrell, Secretary  
Department of Telecommunication and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

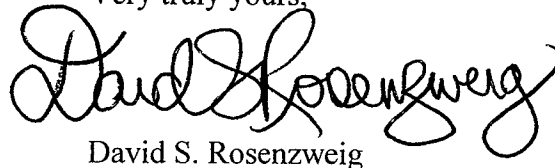
Re: NSTAR Gas Company, D.T.E. 05-75  
Residential Conservation Services Program Budget

Dear Ms. Cottrell:

I have enclosed an original and nine (9) copies of: (1) an Offer of Settlement between the Division of Energy Resources and NSTAR Gas Company in the above-referenced proceeding; and (2) a Joint Motion for Approval of Settlement.

I have also included a Certificate of Service. Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "David Rosenzweig", written in a cursive style.

David S. Rosenzweig

Enclosures

cc: Michael Killion, Hearing Officer  
Andrew Kaplan, General Counsel  
Steven Venezia, Esq., DOER  
Suzanne Farrington, NSTAR Gas  
Charles A. Olsson, NSTAR Gas

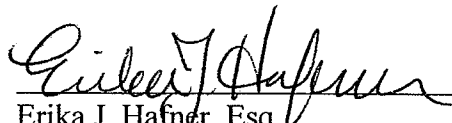
**COMMONWEALTH OF MASSACHUSETTS**  
**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

\_\_\_\_\_  
NSTAR Gas Company  
\_\_\_\_\_

D.T.E. 05-75

**CERTIFICATE OF SERVICE**

I hereby certify that I have served the foregoing document upon the Department of Telecommunications and Energy, and counsel for all parties, by hand or first class mail, in accordance with the requirements of 220 C.M.R. 1.05 (the Department's rules of Practice and Procedure).

  
\_\_\_\_\_  
Erika J. Hafner, Esq.  
Keegan Werlin LLP  
265 Franklin Street  
Boston, MA 02110  
(617) 951-1400

Dated: December 20, 2005

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

\_\_\_\_\_  
NSTAR GAS COMPANY )  
\_\_\_\_\_) )  
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D.T.E. 05-75

**OFFER OF SETTLEMENT**

This Offer of Settlement ("Settlement") is entered into this 17<sup>th</sup> day of December 2005 by and between the NSTAR Gas Company ("the Company") and the Commonwealth of Massachusetts Division of Energy Resources ("the DOER"), for the purpose of resolving all issues that were raised in connection with the above-captioned proceeding. The Company and the DOER are collectively referred to herein as the "Settling Parties". Pursuant to 220 C.M.R. § 1.10(8), the Settling Parties stipulate to the following:

1. On November 1, 2005, pursuant to G.L. c.164 App., §§ 2-1 through 2-10 and 220 C.M.R. §§ 7.00 *et seq.*, the Company filed with the Department of Telecommunications and Energy ("Department") a petition for approval by the Department of the Company's proposed operating budget of \$389,134 and applicable monthly surcharge of \$0.13 per monthly bill for the residential conservation service ("RCS") program for the calendar year January 1, 2006 through December 31, 2006 ("CY 2006").

2. Pursuant to G.L. c. 164 App., §§ 2-1 through 2-10, the DOER must adopt a state plan and promulgate regulations necessary to implement that plan. The DOER is responsible for (a) establishing residential energy and conservation goals; (b) establishing RCS Program guidelines; (c) monitoring the implementation of the program requirements; and (d) overseeing the implementation of the state plan, historically by approving a utility implementation plan ("UIP"). The DOER has implemented the redesign of the RCS program, including the amendment of its RCS regulations at 225 C.M.R. 4.00 *et seq.* In lieu of a UIP, the DOER has approved a statewide RCS Coalition Action Plan ("CAP"). The DOER has also established certain Company-specific addenda to the generic CAP, setting forth certain company-specific targets for the implementation of the RCS program. The Company's RCS budget filing of November 1, 2005 incorporates and is consistent with the CAP, as updated, and the Company-specific addendum thereto.

3. The Settling Parties have worked in good faith to achieve the goals set forth for the calendar year 2005 ("CY 2005") in the DOER's Goal Letter dated October 15, 2004 and the Settling Parties' CY 2005 RCS Settlement in D.T.E. 04-98. CY 2005 was a year of pursuing greater implementation for the RCS program. In 2005, the RCS

Program saw progress in implementation including: a) continued, periodic collaborative meetings with all the Program Administrators ("PAs") and the DOER where information on best practices was exchanged; b) ongoing calibration of amendments to program offerings and pricing to ensure greater consistency among PAs' programs; c) completion of the RCS program impact evaluation in March 2005; d) retaining participation in an umbrella marketing approach, utilizing the "MassSAVE" name; e) maintaining the recently created MassSAVE website; f) sustain the RCS Network working sub-groups on quality control and periodic reporting; and g) coordination with five-year energy efficiency plans and with PAs in overlapping service areas. There were no new amendments made to the CAP in 2005; all prior amendments are reflected in Exhibits 4A and 4C. These implementation efforts will be discussed in 2006 RCS Network meetings.

4. The Settling Parties have reviewed and discussed the DOER CY 2006 RCS Goals Letter dated October 15, 2005 (the "Goals Letter"). The Company commits to working in 2006 with the objective of achieving the outcomes set forth in the Goals Letter with the following clarifications and adjustments:

Goal #1: Increase Implementation: The PAs developed the energy savings analyses reflecting the two data sets as described in more detail in the Goals Letter (1—percentage of total program costs that result in expenditures for customer incentives; and, 2—ratio of total costs and residential DSM weatherization customer incentive costs to total MMBTU savings from residential weatherization and RCS programs). The Company in collaboration with other PAs, has collectively fulfilled its commitment to establish a baseline in Year One of a three-year effort to advance the three principal program outcomes sought by the RCS Guidelines: 1) to increase implementation 2) to facilitate one-stop shopping and 3) to create a competitive market for energy efficiency and renewable energy services and products. The two strategies articulated in the 2004 Goals Letter identify the two values: the first creates a percentage of total costs allocated to customer incentives; the second quantifies program dollars per MMBTU (i.e. the number of program dollars needed to save a lifetime MMBTU). In 2004, the collaborative response for the participating PAs indicated that customer incentives comprised 54% of total RCS program costs and that lifetime MMBTUs cost \$2.02. Within the collaborative group, the Company registered lifetime MMBTU savings of 329,057. These figures establish the baseline by which 2005, Year One of the three-year effort, shall be compared. As stated in the Goals Letter of October 15, 2005, the Company agrees to submit these values for 2005 to the DOER on or before June 30, 2006. In 2006, the Company will review this analysis with the DOER.

The Settling Parties agree that such analysis shall not alter or be used to alter or otherwise revise any matter related to the Company's energy efficiency programs pre-approved by the Department in the Company's separate energy efficiency program pre-approval dockets, including without limitation the five-year energy efficiency plan settlement in docket in D.T.E. 04-37. Without limitation, such analysis shall not alter the savings or savings methodologies used for calculating or establishing savings, cost recovery, lost base revenue/lost margin recovery, incentive recovery or benefit/cost ratios with respect to such pre-approved energy efficiency programs. All such matters will continue to be

addressed for all purposes as provided in the Company's most recent energy efficiency pre-approval order and/or pre-approval settlement as applicable.

Goal #2: One Stop Shopping. The Company will continue to seek to achieve the outcome as stated in the 2006 RCS Goals Letter. The Company will continue to cooperate with the DOER and other PAs in promoting one-stop shopping. CY 2005 efforts in this regard are noted in paragraph 3 above. The Company plans to continue these efforts in 2006, including efforts to minimize repeat audits and to distribute efficient light bulbs at audits, thereby helping increase the savings achieved in the program. Additionally, this goal was actively addressed in the Company's recent five-year energy efficiency plan settlement, approved by the Department in D.T.E. 04-37.

Goal #3: Create a Competitive Market for Energy Efficiency and Renewable Energy Services and Products. The Company will seek to achieve the outcome as stated in the Goals Letter. The Settling Parties acknowledge that the Company fulfilled its commitment to develop a summary document to measure the growth of a competitive market within the RCS Program. The Company submitted a document with the results presented on a combined, collaborative basis. This summary document dated May 25, 2005 enumerates the vendors delivering various specified services within the RCS Program. The Company lists 12 vendors in total. The Settling Parties agree that the Company will file either solely or collaboratively with other RCS PAs a similar summary document for CY 2005 providing company specific information as submitted in its "CY 2005 RCS Follow-Up" correspondence of May 25, 2005, Attachment B. The Company may also submit, in its discretion, any additional vendor information that evidences the development of a competitive market for energy efficiency and renewable energy services and products. The measurement criteria in the summary document shall build upon the baseline established last year. The document shall be submitted to the DOER on or before June 30, 2006.

5. In support of this Offer of Settlement, the Settling Parties hereby incorporate into this Settlement the exhibits the Company filed with the Department on November 1<sup>st</sup> in support of its proposed budget surcharge, i.e. Exh. NSTAR Gas-A (Petition); Exh. NSTAR Gas-B (Testimony of Debra L. Pirrotta); Exh. NSTAR Gas-1A (CY06 Detailed Program Budget); Exh. NSTAR Gas-1B (CY06 Program Budget in the DOER Supplemental Format); Exh. NSTAR Gas-1C (Number of residential customers and therms sold); Exh. NSTAR Gas-2A (A line item breakdown of actual and estimated expenses for CY06 on a per account basis); Exh. NSTAR Gas-2B (A summary breakdown of all actual and estimated expenses for CY05 to coincide with the DOER Supplemental Budget Format); Exh. NSTAR Gas-3A (RCS Budget/Surcharge Calculation Sheet); Exh. NSTAR Gas-3B (RCS Surcharge/Bill Calculation sheet); Exh. NSTAR Gas-3C (RCS Surcharge Calculation Sheet – Supporting Revenue/Collection information); Exh. NSTAR Gas-4A (A copy of CAP); Exh. NSTAR Gas-4B (DOER Goals Letter); Exh. NSTAR Gas-4C (Company-specific information related to the CAP); and Exh. NSTAR Gas-5 (RCS Contractor Information).

6. The DOER has received and reviewed the Company's CY 2006 budget

filing and finds that the Company's proposed budget is adequate to support the activities contemplated during CY 2006.

7. The Company's RCS budget filing complies with the requirements established in G.L. c. 164 App., §§ 2-1 through 2-10; 220 C.M.R. §§ 7.00 et seq.; and the essential filing requirements set forth in Mass. Save, Inc., D.P.U. 85-189 (1985).

8. The Company's actual expenses for the first nine months of calendar year 2005 (CY-2005) were \$333,165 and are reasonable and therefore recoverable from ratepayers (Exh. NSTAR Gas-2A). The Company's filing also demonstrates that its actual expenditures for the last three months of calendar year 2004 are similarly reasonable and recoverable. See generally Exh. NSTAR Gas-3A. The Settling Parties agree that the Department will review the Company's actual expenditures for the final three months of CY 2005 in the next annual RCS budget review.

9. The Company's CY 2006 budget projections are good faith estimates based on the estimates approved for CY 2005 and actual in-field experience during CY 2005. These twelve-month estimated expenditures for CY 2006 are reasonable and recoverable from the ratepayers. Funding the budget at this level helps to assure the successful implementation of the redesigned RCS program.

10. Given that the Settling parties are beginning Year Two of the three-year effort to achieve goals of the redesigned RCS program, the Company will continue to cooperate with the DOER in CY 2006 in the betterment of the RCS program.

11. The Company calculated its RCS surcharge by dividing the net amount to be collected to support RCS services (factoring in an adjustment with respect to past expenditures and collections) by the total number of bills expected to be rendered during CY 2006 (Exh. NSTAR Gas-3A, Surcharge Calculation Sheet). The RCS surcharge to be applied to the Company's bills during CY 2006 shall be \$0.13 per bill per month. This surcharge reasonably compares with the surcharge of \$0.12 per bill per month approved by the Department in NSTAR Gas Company, D.T.E. 04-98 (December 24, 2004) for CY 2005.

12. The Company's proposed CY 2006 RCS program budget, budget reconciliations, and proposed CY 2006 surcharge, are reasonable.

13. The making of this Settlement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in these proceedings is true or valid.

14. This Settlement is expressly conditioned upon the Department's acceptance of all of its provisions, without change or condition on or before December 30, 2005, and if the Department does not accept it in its entirety, without change or condition, the Settlement shall be deemed to be null and void and without effect, and

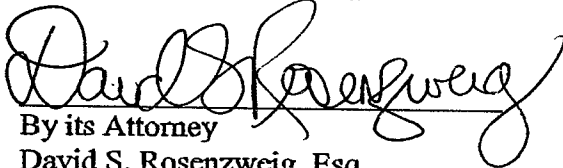
shall not constitute any part of the record in this proceeding nor be used for any other purpose.

15. The Department's acceptance of this Settlement does not constitute continuing approval of, or precedent regarding, any particular issue in this proceeding, but such acceptance does constitute a determination that, as the Settling Parties believe, the provisions set forth herein are just and reasonable.

16. The discussions which have produced this Settlement have been conducted on the understanding that all offers of settlement and discussion relating thereto are and shall be privileged, and shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any further proceeding or otherwise.

WHEREFORE, the Settling Parties agree to jointly petition the Department to approve this Offer of Settlement by submitting a Joint Motion for Approval of Offer of Settlement in accordance with 220 C.M.R. § 1.10(8), and by their attorneys do hereunto affix their names.

NSTAR GAS COMPANY



By its Attorney

David S. Rosenzweig, Esq.

Keegan Werlin LLP

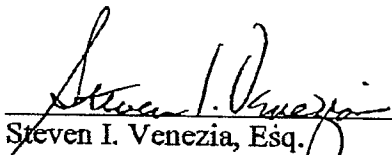
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**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

NSTAR GAS COMPANY

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D.T.E. 05-75

**JOINT MOTION FOR APPROVAL OF SETTLEMENT**

Pursuant to 220 C.M.R. §1.10(8), NSTAR Gas Company and the Massachusetts Division of Energy Resources (hereinafter collectively referred to as the "Settling Parties") jointly request that the Department of Telecommunications and Energy approve, on or before December 30, 2005, the Offer of Settlement attached hereto.

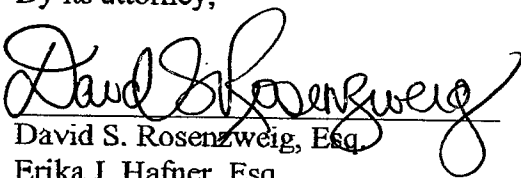
Respectfully submitted for the Settling Parties by their attorneys this 19th day of December 2005.

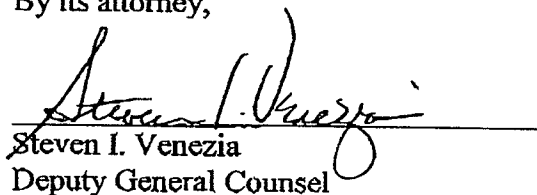
NSTAR GAS COMPANY

DIVISION OF ENERGY RESOURCES

By its attorney,

By its attorney,





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